



## California Public Utilities Commission

505 Van Ness Ave., San Francisco

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**PRESS RELEASE**

Docket #: A.15-07-019

### **CPUC ISSUES PROPOSED DECISION ON CALIFORNIA-AMERICAN'S RATE DESIGN AND CONSERVATION RULES FOR MONTEREY DISTRICT**

SAN FRANCISCO, October 18, 2016 - The California Public Utilities Commission (CPUC) today issued a Proposed Decision of Administrative Law Judge Gary Weatherford that approves recovery by California-American Water Company (Cal-Am) of \$39.8 million in under-collected revenues and costs from 2013 and 2014. The amount is \$0.8 million less than Cal-Am's request based on an independent audit ordered by the CPUC. The Proposed Decision sets a 5-year period for the recovery of the under-collection and at a 0.5 percent interest rate rather than the 8.4 percent interest rate requested by the company.

The \$39.8 million in under-collected revenues and costs from 2013 and 2014 were recorded in a balancing account called the Water Revenue Adjustment Mechanism/Modified Cost Balancing Account (WRAM/MCBA). WRAM and MCBA are designed to promote water conservation by ensuring that Cal-Am and its customers are proportionately affected when conservation rates are implemented and sales fluctuate. The balances are subject to CPUC review and approval before they can be fully and finally collected. The large WRAM/MCBA balance in this proceeding is mostly caused by reduced revenues resulting from customer conservation during the drought not being matched with equivalent reductions in company costs given that most of those costs are fixed.

The Proposed Decision also modifies Cal-Am's rate design in several positive ways that would help stabilize rates, minimize future WRAM/MCBA under-collections, and improve equity among customers. For example, it increases the amount of fixed costs recovered through the monthly service charge from 15 percent to 30 percent, with equivalent reductions in quantity rates. This



makes cost recovery less dependent on variable quantity sales, which will reduce future under-collections recorded in the WRAM/MCBA account. It would also reduce the ratio of the Tier 5 (top tier) rate to the Tier 1 (lowest tier) rate from 10 down to 8, another measure that will decrease the possibility of substantial future WRAM/MCBA balances while at the same time maintaining a very strong price-based conservation incentive. It also uses 2015 sales to realign rates, further bringing rates in line with current conditions and likely reducing the size of potential future rate increases.

To improve equity, the Proposed Decision eliminates the current allotment system (wherein customers are billed based on the number of reported full-time and part-time persons living in a household, reported number of large animals, and other factors). The Proposed Decision finds that the allotment system is vulnerable to abuse, with some customers inequitably getting more water at lower rates than other customers. In its place the Proposed Decision adopts a more standardized system used widely by other water companies wherein each customer gets the same amount of water at the same price in each rate tier based on an average of 2.67 persons per single family household. The discount provided to customers on the low income ratepayer assistance program is increased to maintain benefits at current levels.

The Proposed Decision also adopts revised conservation and rationing rules. These include improvements for more efficient administration, better customer understanding of conservation requirements, enhanced ability for customers to respond without adverse consequences, and increased consistency with the Monterey Peninsula Water Management District's newly revised Regulation XV.

Finally, the Proposed Decision leaves the proceeding open to assess Cal-Am's administration of its tariffs and to determine whether Cal-Am should be penalized. The assessment will include an evaluation of possible mismanagement by Cal-Am of the allotment system, along with possible failure to work with the Monterey Peninsula Water Management District to investigate possible abuses with the District charging a monetary fine to those customers found in violation. The penalty for Cal-Am, if any, may be between \$500 and \$50,000 for each violation.

All together, as a result of all the changes (including WRAM/MCBA), the average single family



residential customer will experience an increase of about \$26 per month, and the average low income residential customer will experience an increase of about \$14 per month. Said Commissioner Mike Florio, who is assigned to the proceeding, “Adoption of the Proposed Decision would result in a hefty increase, and customers are not going to be celebrating it. But we were faced with a large under-collection, and our objective was to ensure recovery over the shortest time period possible, while still avoiding rate shock to the customers. Unfortunately, due to the scarcity of water in Monterey, customer charges are going up, despite heroic conservation efforts on the part of consumers.”

The first opportunity for the Proposed Decision to be considered by the CPUC’s Commissioners is at the CPUC’s December 1, 2016, Voting Meeting.

The Proposed Decision is available at

<http://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M168/K568/168568958.PDF>.

Parties may file comments within 20 days, and reply comments within five days after the filing of comments. The public may comment via letter (please reference proceeding number A.15-07-019) to:

CPUC Public Advisor  
505 Van Ness Ave.  
San Francisco, CA 94012

The public may also email the CPUC (please reference proceeding number A.15-07-019) at [public.advisor@cpuc.ca.gov](mailto:public.advisor@cpuc.ca.gov).

The public may also address the CPUC at one of its regularly scheduled meetings, and should first read the CPUC’s Rules for Public Comment at a Voting Meeting. These Rules provide an opportunity for everyone to address the CPUC in a productive and efficient way. The Rules are at: <http://www.cpuc.ca.gov/General.aspx?id=7808>.

For more information on the CPUC, please visit [www.cpuc.ca.gov](http://www.cpuc.ca.gov).

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